

## UNDERSTANDING THE JOURNEY OF HUMAN CAPITAL MANAGEMENT IN THE LEARNING ORGANIZATION

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### ABSTRACT

*Human Capital Management (HCM) is a contemporary approach to people management that perceives employees as assets to the organization. Their current contribution can be maximized and future value creation can be enhanced through intelligent investment in terms of time and money. The HCM approach is all about providing learning and growth opportunity to employees for achieving business goals, creating innovation and supporting continuous improvement. This creates a premise for Learning Organization (LO), which thrives to create learning opportunities for employees and learning culture for the Organization. With this backdrop the researchers have tried to create an Integrated HCM-LO Model which aims to acquire knowledge and innovate to survive and thrive in a rapidly changing environment.*

**KEYWORDS:** Human Capital Management, Learning Organization & Organizational Learning

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### INTRODUCTION



**Figure 1**

The business dynamics are ever changing and posing constant challenges pertaining to human resource management. The phenomena of enhanced globalization and evolving demographics have elated the need for more competencies and motivation to survive in the fiercely competitive world. It is imperative for the organizations to work towards deriving higher performance from its employees with the help of intellectual capital identification and development. Therefore the activities with respect to Human Capital Management (HCM) have gained strong momentum in the contemporary organizations.

As per Marcel van Marrewijk; Timmers, Joanna.(2003) HCM is an integrated approach which aims at alignment between individual and organizational goals as a key to successful management. Further to this Mehta, Aishwarya (2011) said that HCM (Human Capital Management) aims at being engaged at managing High potential and High-worth Individuals in the organization for driving greater levels of performance. To be able to manage and develop employees the organizations have been minutely developing integrated HCM and learning organization for their survival and growth. In order to achieve this they should focus on creating learning avenues for its employees and this can be best done with help of Learning Organizations. It should also work towards creating a culture where people continually expand their capacity to achieve the results they truly desire and also where new and expansive patterns of thinking are nurtured, the collective aspiration is set free, and where people are continually learning to see the holistic picture. It is needless to say that Learning Organization is nothing but the ultimate aim and result of all the HCM activity an organization engages into for its survival and growth. All the efforts towards people management and development basically lead to the premise of knowledge creation and transfer which is the underlying principal of Learning Organization.



**Figure 2**

## **OBJECTIVE**

To understand the Characteristics of Human Capital Management (HCM)

To explore the link between Human Capital Management and Learning Organization (LO)

## **Research Design & Methodology**

The research study is descriptive in nature. The main source of information is secondary data collected through literature review. This gives the researcher a scope to find out importance of Human Capital Management (HCM) initiatives for contemporary organizations. The research also aims to understand the benefits HCM initiatives bring for the organization and its stakeholders. It also explores the relationship between HCM initiatives and Learning Organization.

## **LITERATURE REVIEW**

As per Maddocks, J. & Beaney, M (2002.), Human capital can be defined as the collection of knowledge, skills and attributes reflected in the capacity and ability to perform task in the most efficient and effective manner. The organization's effort towards managing this human capital is to ensure that every activity performed at work leads to creation of economic value.



**Figure 3**

As discussed in Wikipedia (2013) *Human capital* is a collection of resources—all the knowledge, talents, skills, abilities, experience, intelligence, training, judgment, and wisdom possessed individually and collectively by individuals in a population. These resources are the total capacity of the people that represents a form of wealth which can be directed to accomplish the goals of the nation or state or a portion thereof. It is imperative to understand that people are the most important asset for any organization and therefore it is essential for organizations to work on the strategies to manage them with utmost care. This aspect has given a lot of importance to the concept of Human Capital Management. The same has been substantiated in Management study Guide (2013). It says that Human Capital Management (HCM) refers to the management of employees, hiring right employees, training them, upgrading their skills, utilizing their knowledge to the fullest, eventually benefiting the organization. It can also be termed as managing employees and helping them to contribute effectively towards the organizational goals. Human capital management strategies and practices can help an organization to get the best out of the employees. It can also be instrumental in increasing the efficiency of HR professionals and thus ensuring that they become an indispensable resource for the organization. HCM acts as an enabler to HR professionals in the entire gamut of Human Resource Management and development activities. The HCM process begins with right workforce planning and Talent Acquisition which helps HR to hire the right candidate for the right role. It also focuses on free flow of information between various levels in organizational hierarchy. This leads to no communication gap between superior and subordinates and employees have an easy access to the senior management. The employees feel secure and also peaceful because their views are heard and hence there is no room for confusion or misunderstandings. Most of the problems here are sorted out due to open communication amongst colleagues. HCM's next focus is employee skill updating so that they remain resourceful and competent in their current and future roles. Trainings and skill development activities there become central to HCM initiatives and work essentially towards upgrading the existing knowledge of employees. The Training programs thus are meticulously designed as per the organizational needs and strategies and increase the efficiency of employees and eventually the overall productivity of organization. It is essential for every employee to keep himself/herself abreast with the latest developments in his/her field and therefore Human Capital management makes each and every employee self-sufficient. This also helps the employees to become adaptive to ever changing business dynamics easily. Besides skill updating HCM also streamlines the Performance Management Process. It says that the performances of employees must be evaluated from time to time. HR must design reporting structures and systems to keep a track on employees work and profession. Performance Management System must have integrated feedback system to avoid any deviation from the plan and the goal. There for HCM helps the employees to manage their performance and improve in areas where they feel they are lacking. It does not only benefit the employees but also the entire organization.

From the above literature and analysis it is clear that HCM is imperative to any organization and is nothing but an extensions and modifications of traditional HRM. According to Erskine Alan(2012),by adopting the concept of 'human capital management', the organizations can have the workforce on which they depend for their survival and growth. It aims that the employees remain motivated and productive. The achievement of the above goals can be best facilitated by closer collaboration between different organizational operations and functions. It has been noted that most of the organizations have much of HCM functionality or, at least the potential to develop it within their existing HR systems. However, they are not taking advantage of it and the main reason for this situation is poor internal collaboration, especially between the operations. By facilitating a human capital management approach and close collaboration between operations, managers can ensure that their organizations have the workforce it need to meet its present and future objectives.

According to Sujata and Vijay (2012), the concept of human resource is transformed to human capital as an outcome of globalization and corporate sustainability. Looking at the kind of challenges an organization faces due to above said reasons, it should constantly try to create learning avenues for its employee and this can be best done with help of Learning Organizations.

The concept of learning organization (LO) has been studied a lot and in detail by many researchers and it has been identified as an undisputed mode of organizational change and development. There are various definitions of LO and each one of them is trying to explain the path of growth and advancement for the enterprise irrespective of the activity they are involved in. According to Garvin (1993), LO is an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights. Cummings and Worley (1997) proposed that LO is created, when the results of learning are institutionalized. According to Jones and Hendry (1994), LO is a challenge to explore how we can create organizational structures, which are meaningful to people so they can assist, participate and more meaningfully control their own destiny in an unhampered way.

According to Rowley, Jennifer (1998), the need for organizations to survive in a changing environment has led to the development of the concept of the learning organization. A learning organization (LO) is an organization that facilitates learning for all of its members, and thereby continuously transforms itself. The said transformation takes place when an organization creates a climate for experiential learning throughout the workplace. This results in individual learning, which in turn harnesses to achieve organizational learning.

Ryan and Hurley (2004) further studied the concept of learning organization and said that it is a human resource development intervention for organizational transformation within the domain of organizational development. They also affirmed that it has emerged from the organization development movement.

Garvin (1993) also propagated that an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights is called learning organization. While Pedler et al (1991) added that when an organization works towards facilitating the learning of all its members and it also transforms itself continuously. The concept of LO also presumes an ability to adapt to change. The management of an organization should be able to anticipate or at a minimum recognize problems and use learning skills to solve them as given by DiBella and Nevis (1998). As discussed by Hendry (1996) LO also tries to model itself around the lessons from change and it is closely linked to the theories related to innovation and change. It can be described as a challenge to explore how we can create organizational structures, which are meaningful to people so they can assist, participate and more meaningfully control their own destiny in an unhampered way. Since LO has been accepted as a tool for organization and development

management, the researchers have developed many models for the same. They have worked towards providing the strategies to the organizations for creating a resilient workforce for survival in the dynamic business environment.

On the same lines Senge et al. (1994) suggested, for an organization to be a learning organization, it must practice five rules or disciplines. The first was to build a shared vision. This can be achieved by aligning individual goals with the organizational goals. The tool for the same is to empower employees to have a common single image of the future for the organization and self. This will ensure that employees would contribute to the vision and as they are able to see a long term stint in the organization for themselves. The second rule was to create avenues for team learning and the dissemination of new knowledge. It is imperative as learning of the team would be greater than the sum of individual learning. Third rule says to create a mental models for changing the perspective of how the world worked and find newer ways of working. This will bring about a radical change in the way one looks at a problem or a routine task to be accomplished. The fourth rule says that individuals needed to assess the gap between the acquired and required knowledge. They must also ensure that their knowledge and learning is internalized. The last of the disciplines recommends to focus on systems thinking which advocates to develop the holistic point of view in context of the organization and self. It also affirms on the fact that pieces interact with each other and create a bigger picture of the organization and helps it sustain the ever-changing external environment. It can now be inferred upon that concept of Learning Organization is nothing but organizational readiness to face change. It is all about creating and adapting to a better tomorrow with the help of shared vision, mental model, personal mastery, team learning, and system thinking. All the above characteristics of LO discussed here are positively associated with quality of commitment and helps in building psychological contract between employer and the employees.

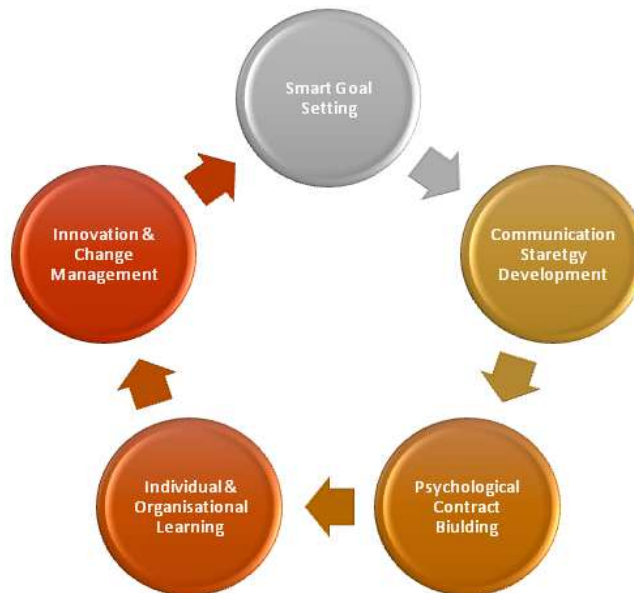
The discussions around LO therefore is nothing but concepts used to describe an organization's ability to manage change. It talks about various strategies imperative to actions oriented towards renewal of the enterprise. It also has a great element of action learning which says to experiment continuously to innovate and devise newer strategies. Therefore learning organization and action learning possess an ability to renew through changes in the process and working methods. According to Sydänmaanlakka (2002) Marsick, O'Neil, Watkins (2002) Sanchez (2003), in practice, renewal means that the organization is continuously ready to acquire new competences and implement them immediately, whether individually, in a group, or in the organization. This very basic models of learning proposed here works at creating simple processes for converting routine duties, challenges and opportunities into learning experiences. The process seeks to activate learning at work by using systematic planning of the acquired knowledge, action, evaluation, understanding, application and transfer. Further Merali (2003) also gave the model for creating Learning Organizations. It proposed the same in the form of five step cycle beginning from precise perception of the action, creation of the need, and selection of the experience and data and creation of experiential learning which can also be path of the detection and correction of error and will ultimately lead to perfection.

### **Integrated Model of Human Capital Management & Learning Organization**

All the models cited above depict the characteristics of Learning Organization, which constantly point at individual and organizational capacity enhancement. Needless to say that the aim of Human Capital Management is also the same. All the processes right from Workforce planning, Strategic recruitment, and Performance management to Employee development are carried out in any organization to ensure that the employees perform at their best and adapt to future challenges readily. Therefore it can said that HCM works towards creating Learning organization and all the

initiative at learning organization is for managing human capital in the most effective manner.

From the above literature review the researchers have found a close correlation between HCM & Learning Organization and have therefore proposed an Integrated Model of HCM & LO as given below:



**Figure 4**

The model cited above is a five continues step process, where each step leads into another and supports the entire cycle of employee performance and development.

**Step I:** SMART Goal Setting

**Step II:** Communication Strategy Development

**Step III:** Psychological Contract Building

**Step IV:** Individual and Organizational Learning

**Step V:** Experimentation and Change Management

The model proposed here begins with setting a SMART goals for Individuals, teams as well as organization. Here specific, measurable, attainable, result oriented and time bound goals are set all the three levels mentioned above. At step two after the goal setting, communication strategy for goal dissemination is devised so that employees are as aware as their superiors as well as top management about the goals of the enterprise. This ensures clarity in terms of roles and responsibilities as well as targets to be achieved at each level. The next step is all about building psychological contract and gain maximum support from the employees. This happens as the organizations works towards creating a quality of work life and work life balance for its employees. The employees in turn go beyond the call of the duty to attain organizational goals. This also ensure alignment between individual and organizational goals and gestures form employees with respect to goal ownership. Step four is all about creating a learning culture, where skill updation, knowledge building and sharing becomes a way of life for all the members of the organization. The last and final step reinforces experimentation and change management to ensure resilience at employee's level and renewal and growth at the organizational level.



## CONCLUSIONS

People are the greatest asset of an organization and Human Capital is not at all being considered as cost to the business. HCM is an investment which is expected to bring back great returns and therefore Companies are beginning to take it seriously as a driver of competitive business advantage. There are many different approaches to this and the HCM-LO Integrated Model proposed above could be one of them. The five step model proposed by the researchers begins at SMART Goal Setting, Communication Strategy Development, Psychological Contract Building, Individual and Organizational Learning and ends at Experimentation and Change Management. The challenge here is to align the metrics of HCM to LO and then relink it to business strategy and understand the impact same on business performance. In order to derive the maximum benefit out of HCM-LO Model the organizations must create learning environment/culture and thus creating an avenue for HCM-LO to make it successful.

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